

## **A Study on Employee Attrition and Its Influencing Factors Relating to Employee Retention**

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### **ABSTRACT**

Employee Retention refers to the techniques employed by the management to help the employees stay with the organization for a longer period of time. Employee retention strategies go a long way in motivating the employees so that they stick to the organization for the maximum time and contribute effectively. Employee Attrition refers to the proportion of employees who leave an organisation over a set period (often on a year-on-year basis), expressed as a percentage of total workforce numbers. A Descriptive research design was adopted for the study with a sample size of 50 covering the various departments of employees with the population of 300 employees. The respondents were selected based on stratified random sampling method. Instrument used for collecting the primary data was questionnaire. The feedback from the respondents was analyzed using various statistical tools such as Simple Percentage methods, chi- square test and weighted average. Tables, bar diagrams, have also been used to get a clear picture of the data collected. Major findings about the Employee Attrition and its influencing factors relating to employee retention were identified through the study. It was found that work environment and communication among employee and employee recognition is very important for employees. The major recommendations of the study include that the employees should have an opportunity for their promotion and support from supervisors.

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## INTRODUCTION

Human resources are the only source of long term competitive advantage for any business organization. It plays a key role in helping companies deal with a fast-changing competitive environment. Human Resource Management involves five major areas: staffing, retention, development, adjustment and managing change. Together they compose the HRM system, for they describe a network of interrelated components. However, rising business competition has led to high attrition rates in many sectors and retaining the employees is proving to be a Herculean task for most organizations in the modern era of globalization and competitive business.

### 1.1 Employee Attrition:

A reduction in the number of employees through retirement, resignation or death is called Attrition. Attrition is a normal and uncontrollable reduction in the workforce because of constant stress, retirement, death, sickness and relocation. In simple words, attrition refers to the number or rate at which the people leave an organization. The study of attrition is very important because the excess of it tells about the productivity of the organization. It is obviously difficult for any organization to operate smoothly and to attain its objectives if employees leave the organization.

Level of attrition beyond the normal range in any organization can have a direct impact on that organizations effectiveness and efficiency. Most employees leave their work for reasons other than money; they want more meaning in their work. Employees seek opportunities that allow them to use and develop their skills. They often indicate that they want to use their qualities and skills in challenging teamwork led by capable leaders.

There are numerous reasons which may drive an employee to quit. Some of them are: career opportunities, proper working environment, psychological satisfaction, unfair practices in organization, stress etc. Among management-level employees, the key attrition drivers are such as opportunities for management, ability of top management, use of skills and abilities and work/family balance.

The root cause of high attrition is:

- Low Morale among employees.
- Lack of proper mechanism of Grievance Handling.
- Poor HR Practices.
- Lack of Job Security.
- Lack of Succession Planning.
- Company's working Environment.
- Less Salary as compared to market trend & standards.
- Hiring managers who make Bad Hiring Decisions.

A study on employee attrition falls incomplete without probing into employee retention. Effective employee retention is a systematic effort by employers to create and foster an environment that encourages current employees to remain employed by having policies and practices in place that address their diverse needs.

### 1.2 Employee Retention:

Employee retention refers to the ability of an organization to retain its employees. However, many consider employee retention as relating to the efforts by which employers

attempt to retain employees in their workforce. In this sense, retention becomes the strategies rather than the outcome.

One of the major challenges of the Human Resource Management these days is to retain the organization's employees without letting the rot set in. However, sufficient steps should be taken towards achievement of this goal. The efforts should start right from the beginning, i.e., at the time of hiring. One should hire only those employees who can be retained easily. At the organizational level, adequate steps should be taken to ensure that there is a sense of belonging to the organization

Employee retention is beneficial for the organization as well as the employee. Employees today are different. They are not the ones who don't have good opportunities in hand. As soon as they feel dissatisfied with the current employer or the job, they switch over to the next job. It is the responsibility of the employer to retain their best employees. If they don't, they would be left with no good employees. A good employer should know how to attract and retain its employees.

In a Business setting, the goal of employers is usually to decrease employee turnover, thereby decreasing training costs, recruitment costs and loss of talent and organizational knowledge. By implementing lessons learned from key organizational behavior concepts employers can improve retention rates and decrease the associated costs of high turnover. However, this isn't always the case. Employers can seek "positive turnover" whereby aim to maintain only those employees who they consider to be high performers.

Retention involves five major things:

- Compensation
- Support
- Relationship
- Environment
- Growth.

### **1.3 Statement of the Problem:**

The company faces a problem of employees' attrition. Hence, the study have been undertaken to find the influencing factors relating to employee retention and upon the various dimensions of employee retention.

### **1.4 Objectives of the Study:**

- ❖ To study various factors which cause attrition at Newgen Knowledge Works.
- ❖ To identify the reason for employees' attrition
- ❖ To know the satisfactory level of employees towards job and working condition
- ❖ To find the way to reduce attrition rate in Newgen Knowledge Works Pvt. Ltd.
- ❖ To identify the factors which make employees dissatisfy about company policy and norms.

### **1.5 Literature Survey**

Ranjitham (2013) The tremendous escalating of Attrition rate in BPOs has dreadful effects on the organizational performance. The elevated attrition rate raises the costs to the organization noticeably. In spite of its incessant development, the industry faces some

inconvenience or issues which are peculiar to this industry. The most significant problems are the cultural and human issues which make the human resources managers terrible in solving the issues related to the same. If the situation continues, then it may lead to huge attrition in these sectors. According to an industry specific analysis of the Associated Chamber of Commerce and Industry of India (ASSOCHAM), the BPO industry is facing serious challenges as shortage of skilled and educated workers as the attrition rate in India's BPO sector has raised phenomenally at the rate of 55 percent with a significant visible movement in mid and senior management levels. The reasons for huge attrition are many like people related problems include stress, shortage of required skills, Hike in salary, Lack of career growth opportunities in the company, Irregular working hours, Health problems due to imbalance in work timings,

Pressure from peers & family, to pursue higher education, Monotony of the job etc. The BPO industries need find the strategies to solve these problems and retain the talents by adopting suitable strategies. The foremost objective of this research is to identify the root causes of attrition in BPOs, analysing the level of employee satisfaction, motivation, involvement and commitment, also find out the ways to manage attrition in the companies. In this study, the view of 600 employees of BPO Companies in Chennai was taken for the analysis. The tool used for collecting the data was a structured questionnaire. For the analysis, chi-square and percentage method were used.

Latha (2013) Attrition is a critical issue and pretty high in the industry these days. It's the major problem which highlights in all the organizations. Though the term 'Attrition' is common, many would be at a loss to define what actually Attrition is, "Attrition is said to be the gradual reduction in the number of employees through retirement, resignation or death. It can also be said as Employee Turnover or Employee Defection" Whenever a well-trained and well-adapted employee leaves the organization, it creates a vacuum. So, the organization loses key skills, knowledge and business relationships. Modern managers and personnel administrators are greatly interested in reducing Attrition in the organization, in such a way that it will contribute to the maximum effectiveness, growth, and progress of the organization. Retaining employees is a critical and ongoing effort. One of the biggest challenges in having managers in the place that understands it is their responsibility to create and sustain an environment that fosters retention. Staff requires reinforcement, direction and recognition to grow and remain satisfied in their positions. Managers must recognize this and understand that establishing such fundamentals demonstrates their objectives to support nature and motivate their employees. This study is an outcome of the topic called "A Study on Employee Attrition and Retention in Manufacturing Industries in Nellore District, Andhra Pradesh". The main objectives of this study is to know the reasons, why attrition occurs, to identify the factors which make employees dissatisfied, to know the satisfactory level of employees towards their job and working conditions and to find the areas where manufacturing industries in Nellore District is lagging behind.

Starosta (2006) Effective retention practices at Training Innovations (Tii) are examined in this action research study. Using quantitative and qualitative methods, employees of Tii participated in a survey and focus groups to identify employee engagement and job satisfaction in a small and medium enterprise (SME) environment. Results show that employee retention increases when realistic work previews, meaningful work, career development, and flexible working conditions are present in a work environment. The

increasing skill shortage in BC challenges today's (SMEs) to examine effective retention practices. This research extends the understanding of employee engagement, and provides current information for individuals interested in the creation and improvement of employee retention practices in SMEs.

## RESEARCH METHODOLOGY

### 2.1 Research Design:

A Research design is the specification of methods and procedure for acquiring the information needed. It is the over – all operation patterns or framework of the project that stipulates what information is to be collected from which source by what procedure, it is also refers to the blue print of the research process.

**Descriptive Study:** It is designed to describe something. It deals with determining the frequency with which something occurs. The descriptive study is rigid and normal. Descriptive research studies are those studies which are concerned with describing the characteristics of a particular individual, or of a group. The purpose of this research is to know about the factors causing the attrition and employee retention strategies by getting information from the employees through survey and interviews.

### 2.2 Sampling Design

**Stratified Sampling:** Stratified sampling is a probability sampling technique wherein the researcher divides the entire population into different subgroups or strata, then randomly selects the final subjects proportionally from the different strata. It is important to note that the strata must be non-overlapping. Having overlapping subgroups will grant some individuals higher chances of being selected as subject. This completely negates the concept of stratified sampling as a type of probability sampling.

Equally important is the fact that the researcher must use simple probability sampling within the different strata.

The most common strata used in stratified random sampling are age, gender, socioeconomic status, religion, nationality and educational attainment.

**Population:** The targeted employees are from the departments various department within the organization. Overall population is 300.

**Sample Size:** The sample size used for this particular research is 50.

**Research Instrument:** The research instrument used in this study is a structured questionnaire. Structured questionnaire in which there are definite, concrete and predetermined questionnaire relating to the aspect for which the researcher collect data. The questions are prepared with exactly the same order to all the employees.

## ANALYSIS OF DATA

### 3.1 Chi – Square Analysis:

- **H<sub>0</sub>:** There is no significant relationship between the employee motivation and satisfaction level with their present salary & increment.
- **H<sub>1</sub>:** There is significant relationship between the employee motivation and satisfaction level with their present salary & increment.

**Table – 1: Table Shows the Crosstabulation of Chi-Square between the Employee Motivation and Satisfaction Level with their Present Salary & Increment**

		Employee Motivation					Total
		Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
Satisfaction with Present Salary & Increment	Strongly Agree	4	4	1	0	0	9
	Agree	7	7	1	0	0	15
	Neutral	6	7	1	0	0	14
	Disagree	5	5	1	0	0	11
	Strongly Disagree	0	1	0	0	0	1
Total		22	24	4	0	0	50

**Table – 2: Chi – Square Calculation between the Employee Motivation and their Satisfactory Level with their Present Salary and Increment**

O	E	O-E	(O-E) <sup>2</sup>	(O-E) <sup>2</sup> /E
4	3.96	0.04	0.0016	0.000404
4	4.32	-0.32	0.1024	0.023704
1	0.72	0.28	0.0784	0.108889
0	0	0	0	0
0	0	0	0	0
7	6.6	0.4	0.16	0.024242
7	6.72	0.28	0.0784	0.011667
1	1.2	-0.2	0.04	0.033333
0	0	0	0	0
0	0	0	0	0
6	6.16	-0.16	0.0256	0.004156
7	6.72	0.28	0.0784	0.011667
1	1.12	-0.12	0.0144	0.012857
0	0	0	0	0
0	0	0	0	0
5	4.84	0.16	0.0256	0.005289
5	5.28	-0.28	0.0784	0.014848
1	0.88	0.12	0.0144	0.016364
0	0	0	0	0
0	0	0	0	0
0	0.44	-0.44	0.1936	0.44
1	0.48	0.52	0.2704	0.563333
0	0.08	-0.08	0.0064	0.08

0	0	0	0	0
0	0	0	0	0
<b>Total</b>	<b>1.350753</b>			

Degrees of freedom =  $(r-1) * (c-1)$  at  $\alpha=5\%$

$$(r-1) * (c-1) = (5-1) * (4-1) = 4*3 = 12$$

**Inference:** From the above value  $H_0$  is rejected so  $H_1$  is accepted hence there is a relationship between the employee motivation and satisfaction level with their present salary & increment.

### 3.2 Weighted Average Method:

**Table – 3: Table Shows the Employee Rating Factor**

Response	Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied	Average	Rank
Motivation	22	24	4	0	0	16.4	4 <sup>th</sup>
Appraisal	5	16	20	7	2	25	1 <sup>st</sup>
Basic needs	15	29	6	0	0	18.2	3 <sup>rd</sup>
Nature of job	17	20	10	2	1	20	2 <sup>nd</sup>

#### (Based on Rank)

Highly Satisfied - 1

Satisfied - 2

Neutral - 3

Dissatisfied - 4

Highly Dissatisfied - 5

✓ **Motivation:**  $(22*1) + (24*2) + (4*3) + (0*4) + (0*5) = 82/5 = 16.4$

✓ **Appraisal:**  $(5*1) + (16*2) + (20*3) + (7*4) + (2*5) = 125/5 = 25$

✓ **Basic needs:**  $(15*1) + (29*2) + (6*3) + (0*4) + (0*5) = 91/5 = 18.2$

✓ **Nature of job:**  $(17*1) + (20*2) + (10*3) + (2*4) + (1*5) = 100/5 = 20$

**Inference:** From the above calculation value be it is inferred that 25 average respondents feels the key factor is appraisal hence the company has to structure the appraisal process to retain the employee's.

## CONCLUSION

Effective human resource management must be practiced at both strategic and day to day levels. HR management practices must reflect company policy as to how it will manage and relate to its Employees. HR must take steps to be aware of employee problems and try to solve them.

The research shows that there is a relationship between Salary, motivation and appraisal employee attrition in the organization. Many HR professionals feel that work performance is a contemplation of how employees feel about themselves and their work, if an employee experience a sense of pride in the job then the work quality, efficiency, and retention increases significantly. Employees who suffer from low self-esteem and display lack of enthusiasm exhibits negative feelings at the work place. Protecting the self-esteem of the employee will be top agenda for future organization. One of the best ways to achieve



that is by providing socially acceptable positions titles to the employees. The factors like employee morale and good working environment, career growth are also associated with the attrition.

The research also shows that majority of the respondents feel organization is responsible for building up the stress and some employees also feel stress because of nature of their job. So human resources manager have to conduct some programs or provide some counseling to those who feel stress which will help the organization to retain them.

We would hence conclude that Behavior of the employees are inconsistent and the top management in the organization have to understand the situation and needs of the employees which helps them to retain the employees and which also helps to decrease the attrition rate.

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